

Before The
Federal Communications Commission
Washington, D.C. 20554

In The Matter Of)	
)	
Auction of Advanced Wireless Services)	AU Docket No. 6-30
Licenses Scheduled for)	
June 29, 2006)	

COMMENTS OF WIREFREE PARTNERS III, LLC

Wirefree Partners III, LLC (“Wirefree III”) respectfully submits its Comments in response to the proposed rules for Auction No. 66 set forth in the Commission’s Public Notice dated January 31, 2006 (the “PN”). Wirefree III is a self funded entity and the licensee of 16 PCS licenses awarded in Auction 58. Wirefree III currently is evaluating whether viable opportunities exist for entrepreneurial companies like Wirefree III to participate in Auction 66. Wirefree III supports the Commission’s proposal to conduct the entire auction using simultaneous multiple-round bidding (“SMR”) and encourages the Commission not to use package bidding due to the complexity it would create for bidders, especially small business bidders, trying to manage their participation in the auction. Wirefree III further suggests that the Commission lower the upfront payment and reserve price formula for the A and B block licenses from \$0.05 per MHz per Pop to \$0.025 per MHz per Pop to reduce the barriers to entry that will be created by applying a flat reserve price of \$0.05 per MHz per Pop across all six license bands. Alternatively, Wirefree III recommends the FCC eliminate the reserve price as unnecessary given the requirement that the auction produce minimum amount of proceeds to be upheld as valid under the Commercial Spectrum Enhancement Act.

I. Wirefree III Overview

Wirefree III was founded and is managed by entrepreneurs with over 25 years of experience in the wireless telecommunications industry and a track record of success in building and operating wireless networks from paging to cellular to PCS. In the late 1990s, the controlling principals of Wirefree III became active bidders in the FCC's PCS auctions seeking to build on their success in owning and operating competitive paging, cellular and fiber optic companies. In the original C block auction, the founders of Wirefree III participated as AirLink, LLC, an entity that placed a \$20M deposit at the FCC, hoping to acquire licenses to build a competitive PCS network in the Southeastern United States. AirLink subsequently withdrew from the auction in Round 45 based on its belief that the auction prices would not support a sound business plan. The principals participated in the subsequent F block auction and won licenses for five BTAs and participated in the subsequent C block reauctions – each time honoring in full their companies' payment obligations to the FCC. Wirefree III's management team also founded AirGate PCS, a Nasdaq company that, using its own equity and debt, built and managed a competitive Sprint PCS network in certain markets in the Southeast covering more than seven million people. After leaving AirGate PCS, the principals continued to seek new entrepreneurial opportunities in the wireless industry. In Auction 58, Wirefree III raised its own equity from leading venture capitalists and completed an independent debt offering to fund its purchase of 16 PCS licenses for total net winning bids of \$150 Million.

II. Package Bidding Would Complicate the Auction Without Corresponding Benefits

Wirefree III endorses the Commission's proposal to auction all of the AWS licenses covering six license bands and three different geographic market sizes in a single SMR auction. The SMR format is a familiar format that can be managed by all bidders including those bidders with small auction teams and administrative budgets. The complexity of this auction warrants the use of a known and tested auction format. Bidders in the auction will have to track their eligibility and auction objectives across six different license bands and evaluate pricing differentials on a round by round basis. Small company bidders will be particularly challenged to develop auction teams and tools that can manage this process with available resources. The introduction of package bidding in a concurrent auction will complicate the process as bidders will have to add an additional layer of analysis to their auction strategy.

In addition to increasing the complexity of the auction, small businesses will be priced out of package bidding auction if two upfront payments are required – one for the SMR auction and one for the package bidding auction. For example, a bidder who wants to establish eligibility to bid on all 10 MHz C block licenses in the SMR auction format and who also wants to bid on the 10 MHz REA licenses for the Northeast and Southeast in a package bidding format would have to make an the upfront payment of \$191 Million. Specifically, the bidder would have to deposit an upfront payment of \$142 Million for the C block licenses in the SMR auction and deposit an additional \$49 Million to bid on the Northeast and Southeast REA licenses in the package bidding auction despite the complete overlap of the licenses. By contrast, in a single SMR

auction the bidder's \$142 Million deposit would provide eligibility to bid on *all* 10 MHz licenses across the three C, D and E license bands.

Finally, package bidding, while novel, is not likely to produce a more efficient aggregation of licenses than a single SMR auction. The Commission's band plan with six different licenses in each market provides bidders with ample opportunity to efficiently aggregate licenses geographically while not closing out bidders from specific licenses or forcing bidders to submit large package bids merely to preserve their high bids on a subset of licenses. Wireless carriers have been able to aggregate license holdings efficiently in past auctions as well as through secondary market transactions. Accordingly, the Commission's introduction of the package bidding format in Auction 66 is unlikely to produce any concrete benefits and efficiencies and will certainly create difficulties for bidders, especially smaller bidders.

III. **The Upfront Payment and Reserve Price Should Be Adjusted for Blocks A and B**

The Commission should vary the upfront payment and reserve price for the 20 MHz A and B block licenses to promote participation in Auction 66 by small businesses. The Commission's proposal to use a flat \$0.05 per MHz per Pop across all six license bands assumes that the marginal value of an additional 10 MHz of spectrum is equal to the value of the first 10 MHz. This is not necessarily the case, especially in smaller markets where 10 MHz is ample spectrum to operate a robust wireless network. Wirefree III's founders have built vibrant PCS networks on 10 MHz of spectrum.

The FCC's proposal to use a uniform upfront payment and reserve price formula across all six license bands doubles the price for eligibility and spectrum in the 20 MHz bands. For example, the upfront payment and reserve price for the B block

licenses is two times the amount of the upfront payment and reserve price on the C block licenses. A bidder who makes an upfront payment large enough to establish eligibility for the C block 10 MHz EA licenses would be ineligible to alternately bid on the 20 MHz B block and 10 MHz C block EA licenses during the auction. If the Commission reduces the B block upfront payment from \$0.05 per MHz per Pop to \$0.025 per MHz per Pop, a bidder could establish eligibility to bid on *both* B and C block licenses using the same deposit.

The Commission's stringent application of a single upfront payment and reserve price across all blocks will have a significant and adverse effect in the A block which is the only block in which licenses will be awarded in the smaller market size of CMAs. For example, the upfront payment and reserve price for the 20 MHz A Block New York-Newark CMA (CMA 001) with 16 Million Pops is **\$16,134,000** by contrast the reserve price (and upfront payment) for the 10 MHz C block New York-Long Island EA (BEA010) with 25 Million Pops is **\$12,856,000**. Accordingly, a bidder sincerely interested only in the New York-Newark CMA may be forced to bid for the larger New York-Long Island EA because of the lower deposit requirement for eligibility and lower reserve price.

In past PCS auctions for licenses with spectrum in excess of 10 MHz, the FCC consistently has used an upfront payment of significantly less than \$0.05 per MHz per Pop. In the A and B block auction for 30 MHz of PCS spectrum, the upfront payment was calculated at \$0.02 per MHz per Pop. In the C block auction, \$0.015 per MHz per Pop was used for the 30 MHz licenses. The Commission auctioned off only 10 MHz licenses in the D, E and F block PCS auction and used \$0.06 per MHz per Pop in that

auction. In the WCS auction, which had markets licensed on a REAG basis, the formula was \$0.02 per MHz per Pop. The FCC's prior sensitivity in establishing an upfront payment relative to the quantity of spectrum should be recognized by varying the formula for establishing the upfront payment and reserve price with spectrum quantities in Auction 66.

The adjustment to the reserve price, and even its elimination, is possible now that the Commercial Spectrum Enhancement Act ("CSEA") requires a minimum auction outcome for the auction to be upheld. The CSEA does not require a uniform distribution of a reserve price across all licenses in the auction nor does it require that licenses produce the same amount of contribution towards the auction outcome. Therefore, Wirefree III recommends that the Commission adjust the upfront payment and reserve price from \$0.05 to \$0.025 in the smaller CMA and B block EA markets - markets where small bidders are most likely to participate.

Respectfully submitted,

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February 14, 2006